

# WAL-MART



Our  
People  
Make The  
Difference

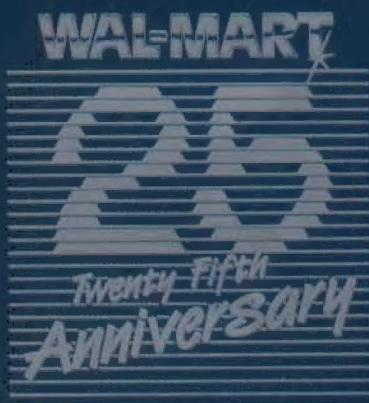
WAL-MART

1 9 8 8      Annual      Report

25th Anniversary

**Celebrating 25 Years...**

*Customers, shareholders, associates and suppliers, partners in Wal-Mart growth joined together to celebrate our 25th anniversary in fiscal 1988. Our special one-of-a-kind partnership is the foundation upon which we can build together for not only next year, but for the next 25 years. What's important is You!*



**On the Cover:**

**People that are making a difference**

Janice Barron - Cashier, Mary Wilson - Snack Bar,  
John Christensen - People Greeter, Jerry Goldsmith -  
Truck Driver, Barbara Roberts - Buyer, Van  
Henrichsen - Mechanic, Sue Ellen Rail - Pharmacist,  
Elvena Walter - Department Manager, Steve Detring -  
Stocker, Barbara Wolfe - Customer Service Manager,  
Steve Phillips - Store Manager.

**CONTENTS**

**PAGE**

Financial Highlights . . . . .	1
Letter to Shareholders . . . . .	2
Our Customers . . . . .	4
Our Associates . . . . .	8
Our Vendors . . . . .	10
Store Locations - Map . . . . .	12
Ten-Year Financial Summary . . . . .	14
Management's Discussion and Analysis . . . . .	16
Consolidated Financial Statements . . . . .	18
Notes to Consolidated Financial Statements . . . . .	22
Directors, Officers and Corporate Data . . . . .	27

## Financial Highlights

(Dollar amounts in thousands except per share data)

**January 31,**

	<b>1988</b>	1987
Net sales .....	<b>\$15,959,255</b>	\$11,909,076
Net income .....	<b>627,643</b>	450,086
Net income per share .....	<b>.11</b>	.79*
Working capital .....	<b>1,161,382</b>	1,012,980
Current ratio .....	<b>1.7</b>	1.8
Common shareholders' equity .....	<b>2,257,267</b>	1,690,493
Common stock outstanding at year end .....	<b>565,111,944</b>	564,365,892*

Stores in operation at year end:

Wal-Mart Stores .....	<b>1,114</b>	980
Sam's Wholesale Clubs .....	<b>84</b>	49

### MARKET PRICE OF COMMON STOCK\*

Fiscal years ended January 31,

Quarter	1988		1987	
	High	Low	High	Low
April 30	\$30.19	\$24.19	\$21.38	\$15.00
July 31	37.87	26.56	26.94	19.50
October 31	42.87	22.00	23.75	19.56
January 31	29.62	20.00	26.56	21.75

\*Adjusted to reflect the 100% stock dividend paid on July 10, 1987.

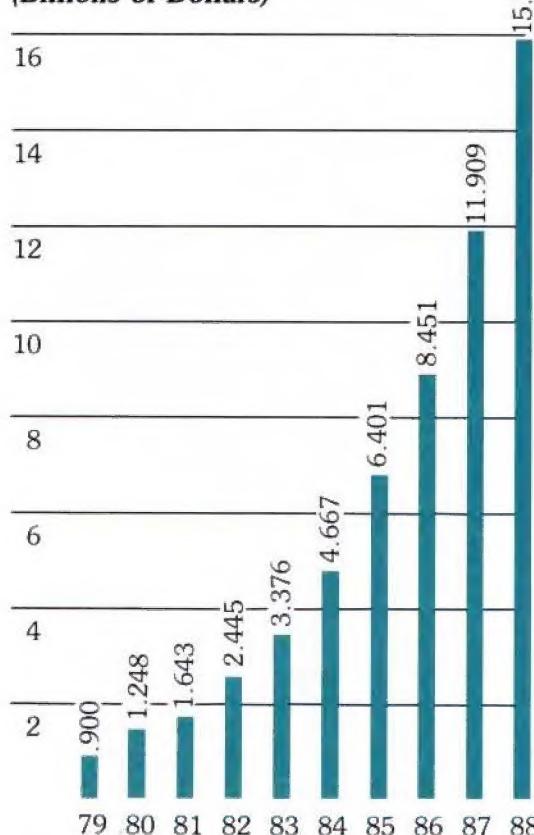
### DIVIDENDS PAID PER SHARE OF COMMON STOCK\*

Fiscal years ended January 31,

	1988		1987	
	Quarterly		Quarterly	
April 10	\$ .03		April 11	\$ .02125
July 10	.03		July 9	.02125
October 2	.03		October 3	.02125
January 4	.03		January 2	.02125

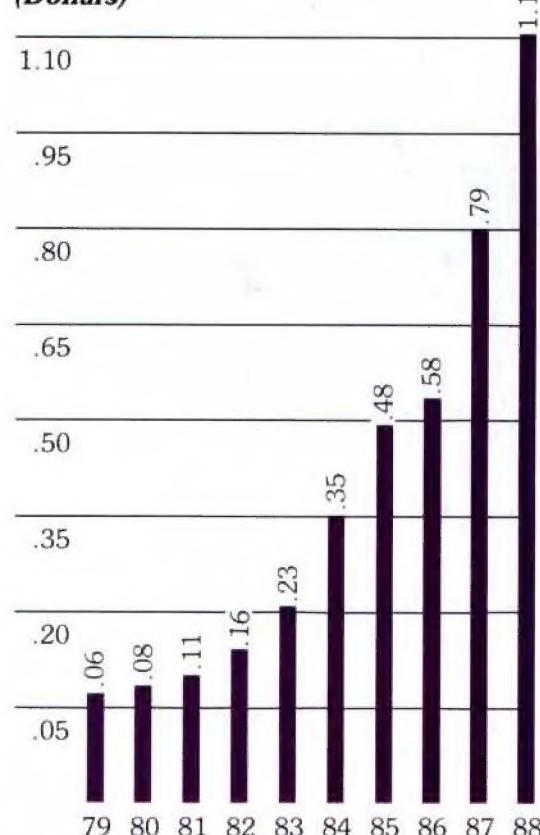
### Net Sales

**(Billions of Dollars)**



### Net Income Per Share

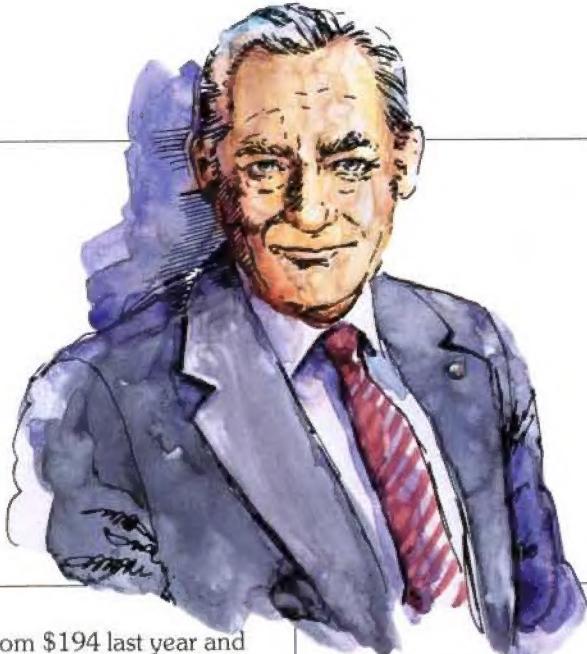
**(Dollars)**



# To Our Shareholders



You...our customers, associates, vendors and shareholders



Record sales and earnings marked the year long celebration of our Company's Twenty-Fifth Anniversary. Sales increased 34% to \$15.959 billion from \$11.909 billion. Net income increased 39% to \$627.643 million from \$450.086 million. Fully diluted net income per share rose to \$1.11, up 41% from \$.79 in the prior year.

Sales increases in comparable stores were 11% which follows a 13% same store sales increase in the previous year. These levels of sales increases in our comparable stores indicate we continue to increase our market share. Strong sales advances in a period of very limited inflation and an otherwise slow-growth economic environment are a result of our dedicated associates performing better than ever before. During this past year, they concentrated on the operating philosophies that have sustained our growth in many different economic climates: improving customer service, offering our customers genuine value at the lowest possible everyday prices, effective inventory management, controlling and reducing expenses and listening to one another. We are proud of our associates and their accomplishments. Some of the highlights of these achievements are:

- Sales productivity in comparable Wal-Mart stores reached \$213 per gross square foot of store

space, up from \$194 last year and \$145 just five years ago.

- Our total retail space was expanded to 77.804 million square feet, a net increase of 14.531 million square feet, up 23% from last year. Store openings included 134 new Wal-Mart stores, 35 Sam's Wholesale Clubs, six dot Discount Drug stores and two Hypermart★USA stores.

- Our store renovation and update program included 20 relocations of existing stores into larger units, 25 expansions, 23 remodels, 77 stockroom additions and 106 facelifts and in-store refurbishings. These 251 pro-

jects on existing stores impacted 39% of Wal-Mart stores three years old or older.

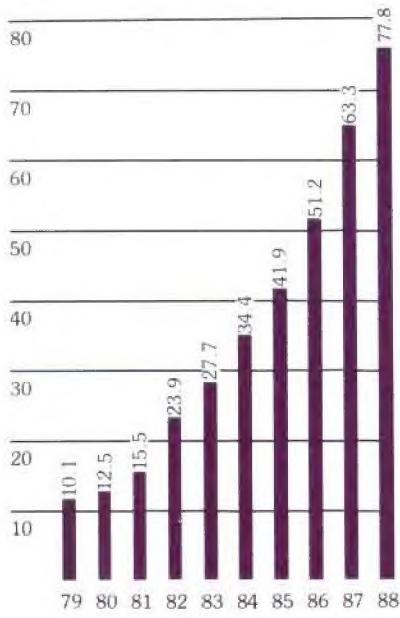
- Completion of the largest private satellite communication system in the United States which links all operating units of the Company and the general office with two-way voice, two-way data and one-way video communication. The inauguration of this system featured a live broadcast from Sam Walton to all Wal-Mart associates.

- The addition of 1.477 million square feet to our distribution center system capacity. We expanded three existing facilities and in January 1988, opened our 11th facility in Laurens, South Carolina, a 583 thousand square-foot facility.

- "Store-within-a-store", a new tool to involve and equip assistant managers with the necessary skills to develop their retailing careers, by giving them total management responsibilities for several departments within their assigned store, was successfully implemented in our Wal-Mart stores.

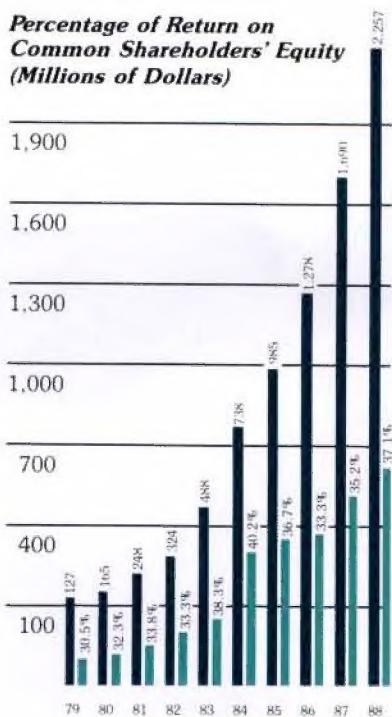
- Net profit as a percentage of sales increased to 3.9% this year compared with 3.8% last year. Planned reductions in initial mark-up, as well as the increased percentage of Sam's sales to the total and the pass-through of the lower federal income tax rates, were largely offset by a reduction in total expenses.

**Total Store Square Footage  
(Millions of Square Feet)**



•Significant improvement in the Company's financial position as a result of strong profit production. Net income, net of dividends, raised shareholders' equity to \$2.257 billion from \$1.690 billion last year, a 34% increase which follows 32% and 30% increases in fiscal 1987 and 1986, respectively.

**Percentage of Return on Common Shareholders' Equity (Millions of Dollars)**



•Sam's Wholesale Clubs sales increased 62% to \$2.711 billion from \$1.678 billion a year ago, representing a 249% increase over sales of \$776 million of just two years ago. Sam's opened 35 units this past year, 17 of which were acquired in the June, 1987 acquisition of Super Saver Warehouse Club, Inc. These 17 units are located throughout the Southeast, complementing existing Sam's units and accelerating Sam's market saturation.

•Hypermart ★USA opened its doors in Garland, Texas, a suburb of Dallas, in December, 1987 and Topeka, Kansas in January, 1988. Hypermart ★USA may be described as a blend of the best of a Wal-Mart store, a combina-

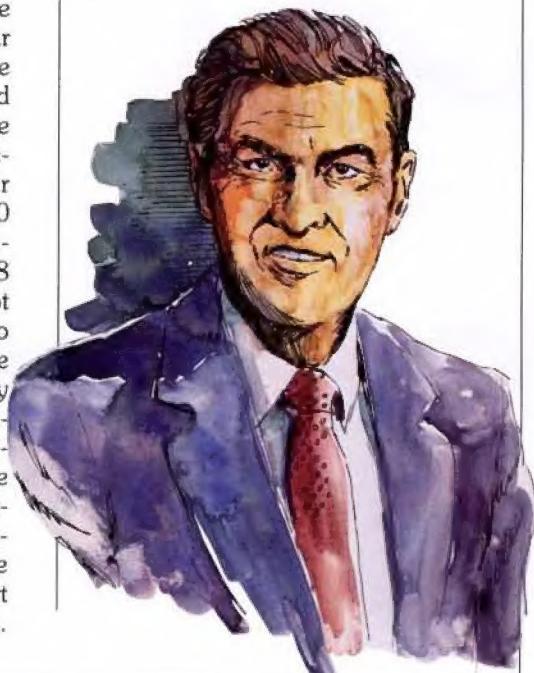
tion supermarket/general merchandise store and a Sam's Wholesale Club. A true experiment, Hypermart ★USA has received strong initial customer acceptance, but our ability to achieve satisfactory profit objectives is still unknown.

We are very pleased with fiscal 1988's profit and sales performance, but even more gratifying has been the opportunity to witness the further development of our associates. Once again, they have excelled, proving that together we can maintain profitable growth in diverse economic conditions and effectively compete against an ever changing and challenging retailing environment.

We approach this new year, fiscal 1989, confident in our people and the plans they have developed for continued success. We are cognizant of projected economic downturn and the continued sluggishness of the "oil patch", but we believe our strategies and plans will be executed, producing continued gains in market share, expense control and inventory management. We plan to expand our retail square footage to beyond 90 million. Construction will include 125 Wal-Mart stores, 18 Sam's Wholesale Clubs, two dot Discount Drug stores and two Hypermart ★USA stores (one joint venture and one wholly owned). Expansions and relocations of 58 existing stores, including the relocation of three Wal-Mart stores into experimental combination supermarket/general merchandise stores to be operated as Wal-Mart SuperCenters, are also planned.

Exciting new concept development, experimentation, increased sales productivity, lower expenses, new store growth, advanced systems development and continued dedication to improved profitability is indeed challenging, but it's nothing new to Wal-Mart - it is Wal-Mart! Our confidence in our 200,000 dedicated Wal-Mart associates has never been stronger. Our 25 years of success and profitable growth are a direct product of their innovative ideas, commitment, suggestions, "entrepreneurial" spirit and hard work. These involved associates serve as the foundation of a mutually beneficial partnership with our customers, shareholders and suppliers.

This report is dedicated to this partnership and it's 25 years of pride and success.



*Sam M. Walton*

**Sam M. Walton**  
**Chairman**

*David D. Glass*

**David D. Glass**  
**President and**  
**Chief Executive Officer**

## Our Customers

**"There is only one boss, and whether a person shines shoes for a living or heads up the biggest corporation in the world, the boss remains the same. It's the customer! The customer is the person who pays everyone's salary and who decides whether a business is going to succeed or fail. In fact, the customer can fire everybody in the company from the chairman on down, and he can do it simply by spending his money somewhere else."**

**Sam M. Walton**

What does it really mean to "please the customer"? Simply stated, at Wal-Mart it means that we have no higher priority than to assure that **every** shopping experience of our customer is a satisfying one. Quality, name-brand merchandise offered at every day low prices is the merchandise/pricing format around which we have constructed the Wal-Mart store. This promise of the lowest possible prices, day-in and day-out, permits our customers to shop at their convenience without waiting for "sales". Broad selections of quality merchandise featuring well known national name-brands gives our customers confidence that a genuine price-to-value item presentation is being offered.

Efficient, friendly checkout experiences and "no-hassle" refund and exchange policies remain our objective. We recognize that low prices and high quality merchandise selections must be provided in stores that provide pleasurable, convenient and clean one-stop shopping experiences. Literally **everything** we do, every concept perceived, every technology developed and associate employed, is directed with this one objective clearly in mind - pleasing the customer.

"Community Involvement" is what we title our corporate commitment to the communities we serve. We understand that each of our stores as well as our



associates are the neighbors and co-citizens of our customers. Therefore, the job of customer service is not complete without community service. Corporately, Wal-Mart's support of numerous national agencies such as Special Olympics and United Way was recently recognized with a Presidential Citation for Private Sector Award, but our focus remains on individual communities. We are motivated by the desire to truly make a difference in the lives of our customers and associates and to

demonstrate that we genuinely care. This past year over 1,000 scholarships of \$1,000 were awarded in 980 communities across 23 states. The Wal-Mart Foundation Matching Grant Program has served as a very effective method to assist local non-profit organizations. In 1987 this program assisted 1,018 communities with over 2,650 local projects as diverse as the installation of playground equipment to



The greatest measurement  
of our success  
is how well we please  
the customer, "Our Boss".



the purchase of bulletproof vests for law enforcement agencies. Fund-raising is only one dimension of community involvement. Many human-concern projects such as hosting blood drives, assisting with voter registration and volunteering time to clean-up after natural disasters provide the genuine "touch" we strive to leave in every Wal-Mart community.

We know that the merchandise and service needs of our customers are changing. These needs are becoming more diverse and specialized and simultaneously the customer is demanding more convenience. Constant reevaluation of the Wal-Mart discount store concept has resulted in its consistent evolution. Yet, we believe new retailing concept development is critical to our future. Sam's Wholesale Club, introduced in early 1983, began as an experimental vehicle to better understand the wholesale/membership warehouse concept. From its less than ideal beginnings in a previously vacated store building in Oklahoma City, the idea was refined and evolved into a strong and exciting opportunity that has proven it can



meet Wal-Mart's tough profitability and return on investment standards.

Wal-Mart's openness to innovation, new ideas and marketing techniques has led us to what many have referred to as the cutting edge of the American retail scene - Hypermart ★ USA. Under one roof, Hypermart offers both full-line grocery and full-line general merchandise selections augmented with service and fast food shops creating a "mall without walls" effect.

Wal-Mart SuperCenters, also a test-tube concept, combines the Wal-Mart discount store with a complete supermarket presentation under one roof.

Whether it's the relocation of the local Wal-Mart store's lay-away desk, the installation of a second merchandise sortation system in a distribution center or a totally new concept development, we have but one objective, serving the customer.

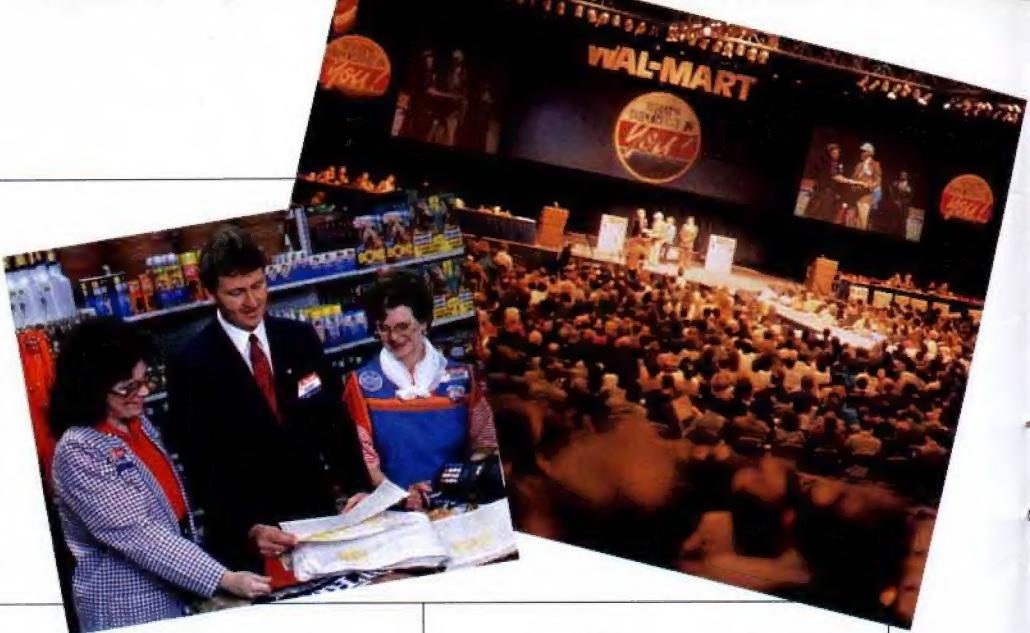


At Wal-Mart, customers  
are truly the boss,  
and everything is done to  
provide the service the boss  
deserves.

## Our Associates

*"Every associate is an individual with certain God-given talents and abilities. If they are treated with respect and dignity and they are allowed to use their talents and abilities, we can accomplish far more together than any one of us could if left alone to develop and operate our own store. Although we fail many times, it's so important that we work together, that we treat each other like we would like to be treated, that we really care about each other."*

**Don Soderquist**



Expressing the true importance of our associates is as difficult as explaining the success of Wal-Mart. Assessed as individuals, Wal-Mart talent might appear "ordinary", but by working together they consistently produce most impressive results. These associates, now numbering over 200,000, are nothing short of what we believe to be the best retail team ever brought together. Sharing information, all of it, permits the smart application of the very best ideas and hard work of each individual. An environment of open-door communication provides for the free flow of ideas from every possible source and their appropriation throughout the Company, not just in a single department, store or division.

Emphasis on people supportive systems development is a reflec-

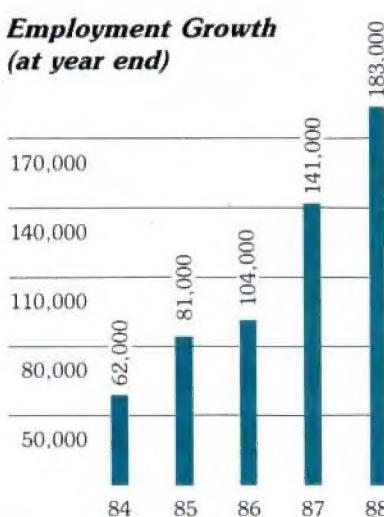
tion of our continuing commitment to people. In addition to freeing our associates from routine functions, our systems provide information and create time efficiencies never before available. Installations are made so that many helpful systems are directly at our associates' fingertips. Highly complex and state-of-the-art, our network is presently comprised of more than 3,000 computers located throughout our stores, distribution centers and general office facilities. Not all information is relayed by computers, nor should it be. Numerous people-to-people communication programs, to assure open and frank discussions, are in place. Among these are "Grass Roots Meetings", the "Open Door Policy", weekly store meetings, Saturday morning meetings in the general office and our Year-End Management Meetings. These recent Year-End Meetings involving over 12,000 associates and spouses were held in Little Rock, Arkansas, and Nashville, Tennessee, simultaneously. This annual event, along with the Fall Merchandise Meeting brings all our management associates together to review progress, assure new direction and most importantly - share ideas.

Our objective is straight forward: we want each associate to have the opportunity to maximize their contribution and to excel. Educational experiences such as the Walton Institute of Retail-

ing, Retail Management Training Seminars (RMTS), store-within-a-store, Sam's Operating School, the Department Managers Development Guide, in-store seminars for Department and Customer Service Managers and UPC clerk workshops facilitate this objective.

Sharing the successes and opportunities that result from our growth is so very important. Associate benefit plans, such as Profit Sharing, Payroll Stock Purchase Plan, Shrinkage Savings Incentives and Associate Stretch Incentive Bonuses are all designed to encourage and reward each associate's involvement.

Opportunity - our profitable growth creates an absolutely amazing number of career opportunities for all associates. In fiscal 1988 we promoted 1,100 associates to management that had previously worked in non-management positions. Unparalleled opportunity and aggressive recruitment programs attracted over 300 store management associates from college campuses and approximately 350 from other retailers. We are especially proud of the 890 plus store management promotions from among our own non-management group. Total employment numbers tell the story clearly, in the past five years we have increased year-end employment at an average of 30,250 associates. What a difference our people make!





Why has Wal-Mart been so successful over the years? The answer is so simple, yet very few people really understand it – “Our People Make the Difference”.

## Our Vendors

*"We are committed to the purchase of quality branded products from vendors who produce for sales to the mass market. Our Wal-Mart company has always concentrated on building good, solid, long-term vendor relationships. However, as we continue to grow, growth itself creates many interesting challenges for both Wal-Mart and its vendors."*

*Al Johnson*

Wal-Mart's unprecedented growth in retailing requires a reliable supply line of quality merchandise. Our vendors and suppliers are the heart of this supply line. Historically, supplier and retailer relationships have often been short-sighted and adversarial. Contrastingly, we believe tough but fair negotiations should be the starting point and from there the mutual goal of serving the customer and increasing sales opportunities should guide this relationship.

As partners, Wal-Mart and its vendors work together on new product development and test marketing in order to satisfy ever changing consumer demands. Joint efforts are frequently made in package design, display techniques and quantity packing decisions. Wal-Mart's day-to-day continuous contact and dialogue with its customers complements the manufacturing, packing and shipping expertise of the supplier. Wal-Mart's commitment to establish up-front quality standards and its independent product testing facilities are beneficial to the vendors' efficient, first quality production.

A profitable working partnership must have open and unimpaired communication. Wal-Mart merchants are accessible to our vendors and frequently meet with the senior management of numerous suppliers to assure open dialogue. Effective communication has been

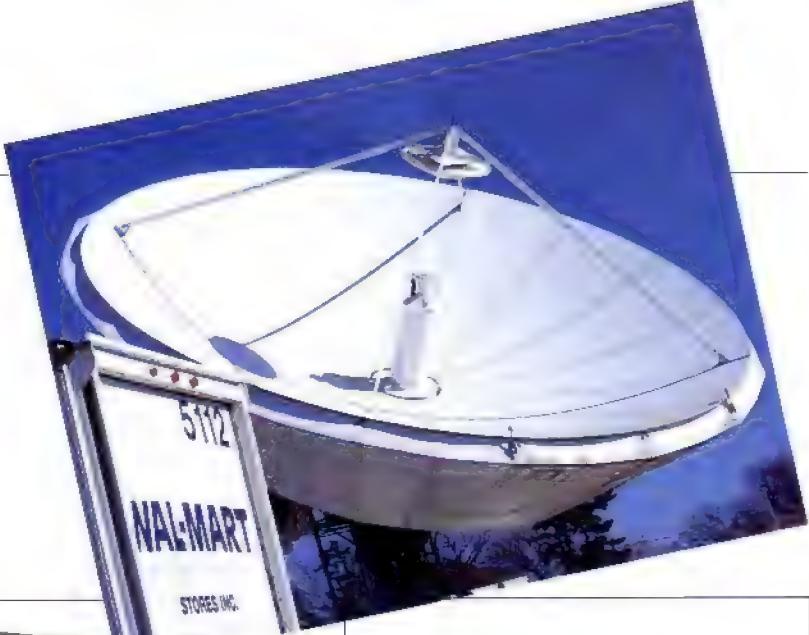


improved by expanded use of electronic order transmittal. In addition to improving accuracy and cost savings associated with "paperless" transactions, electronic transmittal improves the all important lead time.

This general framework of partnership and cooperation creates the progressive environment from which new ideas such as "Buy American" can develop. Incorporating long-held tenets such as timely payment, honored quantity commitments and lead time, into a focused program committed to exhausting every comparable domestic opportunity prior to placing off-shore

orders, "Buy American" has paid large dividends to our vendors, customers and Wal-Mart. Since its inception in early 1985, "Buy American" has created and retained in excess of 19,000 production jobs in the United States - jobs for Americans.

Together, we and our suppliers face a challenging future. Our projected growth and the changing demands of our customers will require a strengthening of our joint cooperation. We believe our vendors have demonstrated that they are more than up to the challenge.





To assure the potential  
of our long-term growth,  
we must be  
supportive of our vendors'  
concerns and mindful  
of their profitability.

# 1,114 WAL-MART STORES IN 23 STATES

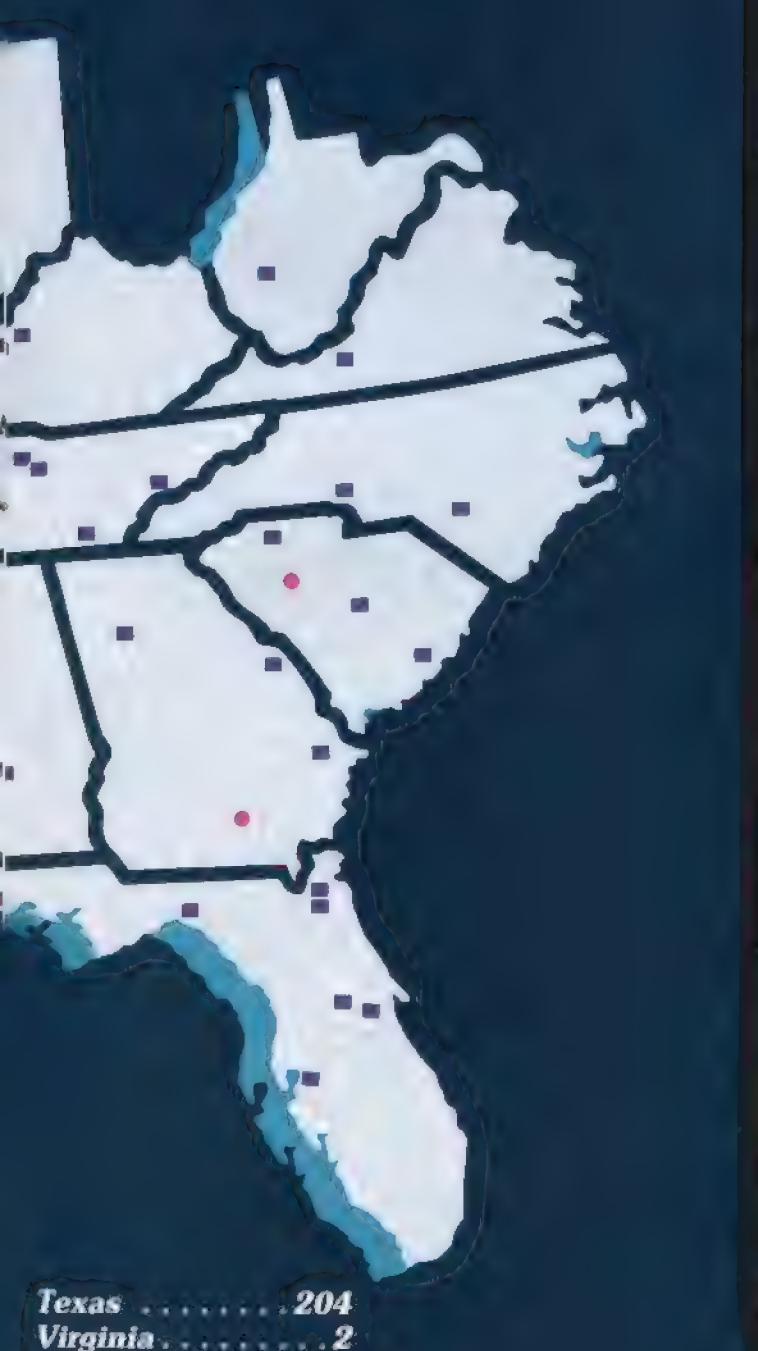
Fiscal year ending January 31, 1988

- General Office and 3 Distribution Centers
- Wal-Mart Store (1,114)
- Distribution Center (11)
- Sam's Wholesale Club (84)
- dot Discount Drug (12)
- Helen's Arts and Crafts (3)
- Hypermart ★ USA (2)



## Wal-Mart stores in each state

Alabama . . . . .	62	Illinois . . . . .	57	Louisiana . . . . .	64	New Mexico . . . . .	15
Arkansas . . . . .	75	Indiana . . . . .	16	Minnesota . . . . .	4	N. Carolina . . . . .	12
Colorado . . . . .	17	Iowa . . . . .	18	Mississippi . . . . .	48	Oklahoma . . . . .	79
Florida . . . . .	75	Kansas . . . . .	36	Missouri . . . . .	101	S. Carolina . . . . .	30
Georgia . . . . .	59	Kentucky . . . . .	47	Nebraska . . . . .	10	Tennessee . . . . .	73



**1970**

**38 Stores in 5 States**  
(Fiscal year ending Jan. 31, 1971)



**1980**

**330 Stores in 11 States**  
(Fiscal year ending Jan. 31, 1981)



**1985**

**859 Stores in 22 States**  
(Fiscal year ending Jan. 31, 1986)



Texas	204
Virginia	2
Wisconsin	10

# Ten-Year Financial Summary

Wal-Mart Stores, Inc. and Subsidiaries

(Dollar amounts in thousands except per share data)

	1988	1987	1986
<b>EARNINGS</b>			
Net sales .....	<b>\$15,959,255</b>	\$11,909,076	\$8,451,489
Licensed department rentals and other income-net .....	<b>104,783</b>	84,623	55,127
Cost of sales .....	<b>12,281,744</b>	9,053,219	6,361,271
Operating, selling and general and administrative expenses .....	<b>2,599,367</b>	2,007,645	1,485,210
Interest costs:			
Debt .....	<b>25,262</b>	10,442	1,903
Capital leases .....	<b>88,995</b>	76,367	54,640
Taxes on income .....	<b>441,027</b>	395,940	276,119
Net income .....	<b>627,643</b>	450,086	327,473
Per share of common stock:			
Net income .....	<b>1.11</b>	.79*	.58*
Dividends .....	<b>.12</b>	.085*	.07*
Stores in operation at the end of the period			
Wal-Mart Stores .....	<b>1,114</b>	980	859
Sam's Wholesale Clubs .....	<b>84</b>	49	23
<b>FINANCIAL POSITION</b>			
Current assets .....	<b>\$2,905,145</b>	\$2,353,271	\$1,784,275
Net property, plant, equipment and capital leases .....	<b>2,144,852</b>	1,676,282	1,303,450
Total assets .....	<b>5,131,809</b>	4,049,092	3,103,645
Current liabilities .....	<b>1,743,763</b>	1,340,291	992,683
Long-term debt .....	<b>185,672</b>	179,234	180,682
Long-term obligations under capital leases .....	<b>866,972</b>	764,128	595,205
Preferred stock with mandatory redemption provisions .....	—	—	4,902
Common shareholders' equity .....	<b>2,257,267</b>	1,690,493	1,277,659
<b>FINANCIAL RATIOS</b>			
Current ratio .....	<b>1.7</b>	1.8	1.8
Inventories/working capital .....	<b>2.3</b>	2.0	1.8
Return on assets** .....	<b>15.5</b>	14.5	14.8
Return on shareholders' equity** .....	<b>37.1</b>	35.2	33.3

\*Adjusted to reflect 100% common stock dividend paid July 10, 1987.

\*\*On beginning of year balances.

1985	1984	1983	1982	1981	1980	1979
\$6,400,861	\$4,666,909	\$3,376,252	\$2,444,997	\$1,643,199	\$1,248,176	\$900,298
52,167	36,031	22,435	17,650	12,063	10,092	9,615
4,722,440	3,418,025	2,458,235	1,787,496	1,207,802	919,305	661,062
1,181,455	892,887	677,029	495,010	331,524	251,616	182,365
5,207	4,935	20,297	16,053	5,808	4,438	3,119
42,506	29,946	18,570	15,351	10,849	8,621	6,595
230,653	160,903	100,416	65,943	43,597	33,137	27,325
270,767	196,244	124,140	82,794	55,682	41,151	29,447
.48*	.35*	.23*	.16*	.11*	.08*	.06*
.0525*	.035*	.0225*	.0163*	.0125*	.0095*	.007*
745	642	551	491	330	276	229
11	3					
\$1,303,254	\$1,005,567	\$ 720,537	\$ 589,161	\$ 345,204	\$ 266,617	\$191,860
870,309	628,151	457,509	333,026	245,942	190,562	131,403
2,205,229	1,652,254	1,187,448	937,513	592,345	457,879	324,666
688,968	502,763	347,318	339,961	177,601	170,221	98,868
41,237	40,866	106,465	104,581	30,184	24,862	25,965
449,886	339,930	222,610	154,196	134,896	97,212	72,357
5,874	6,411	6,861	7,438	—	—	—
984,672	737,503	488,109	323,942	248,309	164,844	127,476
1.9	2.0	2.1	1.7	1.9	1.6	1.9
1.8	1.5	1.5	2.0	1.7	2.4	1.9
16.4	16.5	13.2	14.0	12.2	12.7	11.7
36.7	40.2	38.3	33.3	33.8	32.3	30.5

## **Management's Discussion and Analysis**

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### **RESULTS OF OPERATIONS**

Sales for the three fiscal years ended January 31, 1988, and the respective total and comparable store percentage increases over the prior year were as follows:

Fiscal year ended January 31,	Sales	Total company increases	Comparable stores increases
1988	\$15,959,255,000	34 %	11 %
1987	11,909,076,000	41	13
1986	8,451,489,000	32	9

Sales increases were due to the productivity of comparable stores, and the contribution of new stores (134 Wal-Mart stores and 35 Sam's units in fiscal 1988, 121 Wal-Mart stores and 26 Sam's units in fiscal 1987 and 115 Wal-Mart stores and 12 Sam's units in fiscal 1986), and inflation.

The Sam's units contributed the following sales for the periods indicated:

Fiscal year ended January 31,	Sales
1988	\$2,711,392,000
1987	1,678,334,000
1986	776,483,000

The following table sets forth the percentage that certain items in the Company's Consolidated Statements of Income bear to net sales.

	Percentage of sales year ended January 31,		
	1988	1987	1986
Sales .....	100.0%	100.0%	100.0%
Cost of Sales .....	77.0	76.0	75.3
Operating, selling and general and administrative cost .....	16.3	16.9	17.6
Interest costs .....	.7	.7	.7
Provision for income taxes .....	2.8	3.3	3.3
Net income .....	3.9	3.8	3.9

Cost of sales (as a percentage of sales) increased 1% and .7% respectively in fiscal 1988 and 1987 as compared with fiscal 1987 and 1986. The increases were due to the cost of sales in the Sam's units, which is significantly higher than in the balance of the Company (due to lower markon on purchases), the continuation of reduced initial markons supporting emphasis in the Wal-Mart stores on everyday low prices and higher LIFO costs in fiscal 1988. These increases were partially offset by a lower rate of markdowns.

Operating, selling and general administrative expenses (as a percentage of sales) decreased .6% and .7% respectively in fiscal 1988 and 1987 as compared with fiscal 1987 and 1986 through continued cost control efforts, productivity improvements and the effects of Sam's units expense ratios to sales being significantly lower than in the balance of the Company.

Interest costs (as a percentage of sales) remained constant for the three fiscal years ended 1988. See NOTE 3 of Notes to Consolidated Financial Statements for additional information on interest and debt.

The effective tax rate was 41.3% in fiscal 1988, 46.8% in 1987 and 45.7% in 1986. The decrease in fiscal 1988 was due to the tax law changes included in the Tax Reform Act of 1986 as it relates to the lower federal income tax rate. The increase in fiscal 1987 was due to the tax law changes included in the Tax Reform Act of 1986 relating to the elimination of investment tax credits. See NOTE 5 of Notes to Consolidated Financial Statements.

## LIQUIDITY AND CAPITAL RESOURCES

### Fiscal 1988

Funds provided from current operations were a record \$796,794,000 in fiscal 1988. These funds combined with long-term borrowings of \$11,645,000 were used to finance capital expenditures for fixture additions, equipment, leasehold improvements, 11 Wal-Mart stores in the state of Florida, 12 Sam's Wholesale Club units, partial construction of two distribution centers, one Hypermart★USA store, pay dividends and provide general working capital. In addition, the Company maintains \$550,000,000 in lines of credit to support short-term borrowing and commercial paper, of which \$445,618,000 was available at January 31, 1988, sufficient to finance the seasonal buildups in merchandise inventories and interim financing requirements for store properties developed under sale/leaseback arrangements.

The Company opened 134 Wal-Mart stores, 18 Sam's Wholesale Club units, acquired 17 (net of three closings) wholesale clubs from Super Saver Warehouse Club, Inc., six dot Discount Drug Stores and two Hypermart★USA stores (one joint venture and one wholly owned) during fiscal 1988. The financing of this real estate was primarily through sale/leaseback arrangements or leases from real estate developers. Capital expenditures of \$527,960,000, excluding leased properties, were financed through internally generated funds.

The Company's debt (including obligations under capital leases)-to-equity ratio decreased to .47:1 at the end of fiscal 1988 as compared with .56:1 at the end of the preceding year.

The effects in fiscal 1989 of the Tax Reform Act of 1986 are to lower tax rates for corporations and to alter the deductibility of certain items. The Company anticipates passing a portion of the tax savings generated from the lower tax rates to its customers in the form of reduced retail prices. The effect on the Company's cash flow will be limited, if any.

Statement of Financial Accounting Standard No. 96 "Accounting for Income Taxes" was issued in December, 1987. The statement will be effective for the Company's fiscal year ended January 31, 1990. The statement requires deferred income taxes to be recorded using the liability method and when applied will not have a material effect on the Company's financial statements.

Capital expenditures planned for fiscal 1989, including 125 Wal-Mart stores, 18 Sam's Wholesale clubs, two distribution centers, two Hypermart★USA stores and two dot Discount Drug stores, are approximately \$750,000,000. These expenditures will be financed from internally generated funds, sale/leaseback arrangements or real estate developers.

Return on shareholders' equity is a measure of the Company's effectiveness in the use of its resources. It measures the relationship of net income to beginning of the year common shareholders' equity. The Company's return on shareholders' equity for the three years ended January 31, 1988 was 33.3%, 35.2% and 37.1% respectively. The ten year compounded return on shareholders' equity is 33.2%.

Dividends for fiscal 1989 have been increased to 16 cents per share from 12 cents per share in fiscal 1988, payable quarterly at four cents per share.

### Fiscal 1987

Funds generated from operations were \$596,157,000. The Company had access to \$370,000,000 in unused lines of credit to support short-term borrowing and the issuance of commercial paper.

Additions to property, plant and equipment totaled \$403,660,000, excluding leased store properties, and were financed with internally generated funds. The debt-to-equity ratio decreased to .56:1 from .61:1 in fiscal 1986.

# Consolidated Statements Of Income

Wal-Mart Stores, Inc. and Subsidiaries

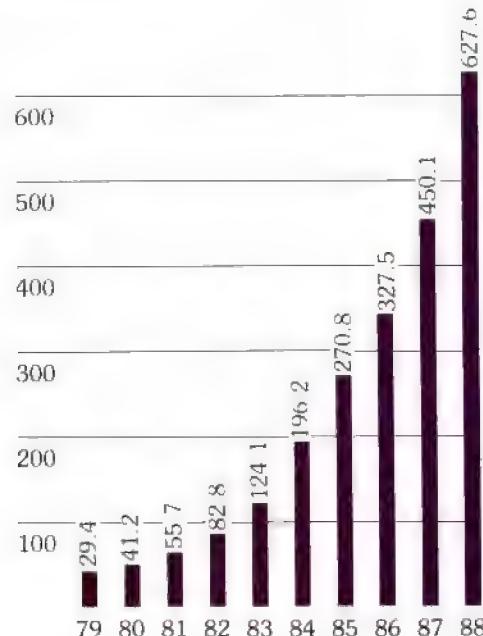
(Amounts in thousands except per share data)

	Fiscal year ended January 31,		
	1988	1987	1986
Revenues:			
Net sales.....	<b>\$15,959,255</b>	\$11,909,076	\$8,451,489
Rentals from licensed departments .....	<b>9,215</b>	10,779	13,011
Other income-net .....	<b>95,568</b>	73,844	42,116
	<b>16,064,038</b>	11,993,699	8,506,616
Costs and expenses:			
Cost of sales .....	<b>12,281,744</b>	9,053,219	6,361,271
Operating, selling and general and administrative expenses.....	<b>2,599,367</b>	2,007,645	1,485,210
Interest costs:			
Debt.....	<b>25,262</b>	10,442	1,903
Capital leases.....	<b>88,995</b>	76,367	54,640
	<b>14,995,368</b>	11,147,673	7,903,024
Income before income taxes .....	<b>1,068,670</b>	846,026	603,592
Provision for federal and state income taxes:			
Current.....	<b>432,133</b>	373,508	258,197
Deferred.....	<b>8,894</b>	22,432	17,922
	<b>441,027</b>	395,940	276,119
Net income .....	<b>\$ 627,643</b>	\$ 450,086	\$ 327,473
Net income per share .....	<b>\$ 1.11</b>	\$ .79*	\$ .58*

\*Adjusted to reflect 100% common stock dividend paid on July 10, 1987.

See accompanying notes.

**Net Income**  
(Millions of Dollars)



# Consolidated Balance Sheets

Wal-Mart Stores, Inc. and Subsidiaries

(Amounts in thousands)

January 31,

	1988	1987
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash.....	\$ 11,325	\$ 8,527
Short-term money market investments.....	—	157,018
Receivables.....	95,928	90,380
Recoverable costs from sale/leaseback.....	126,917	47,160
Inventories.....	2,651,760	2,030,972
Prepaid expenses.....	19,215	19,214
<b>TOTAL CURRENT ASSETS</b> .....	<b>2,905,145</b>	2,353,271
<b>Property, plant and equipment, at cost:</b>		
Land.....	209,211	134,351
Buildings and improvements.....	621,023	402,845
Fixtures and equipment.....	855,926	655,253
Transportation equipment.....	46,301	45,346
<b>Less accumulated depreciation</b> .....	<b>1,732,461</b>	1,237,795
Net property, plant and equipment.....	374,193	267,722
Property under capital leases.....	1,358,268	970,073
Less accumulated amortization.....	952,305	832,337
Net property under capital leases.....	165,721	126,128
<b>Goodwill</b> .....	786,584	706,209
<b>Other assets and deferred charges</b> .....	47,034	—
<b>Total assets</b> .....	<b>34,778</b>	19,539
	<b>\$5,131,809</b>	\$4,049,092

## LIABILITIES AND SHAREHOLDERS' EQUITY

### Current liabilities:

Notes payable.....	\$ 104,382	\$ —
Accounts payable.....	1,099,961	924,654
Accrued liabilities:		
Salaries.....	89,118	62,774
Taxes, other than income.....	81,064	46,496
Other.....	229,921	159,985
Accrued federal and state income taxes.....	120,773	132,833
Long-term debt due within one year.....	2,046	1,448
Obligations under capital leases due within one year.....	16,498	12,101
<b>TOTAL CURRENT LIABILITIES</b> .....	<b>1,743,763</b>	1,340,291
<b>Long-term debt</b> .....	<b>185,672</b>	179,234
<b>Long-term obligations under capital leases</b> .....	<b>866,972</b>	764,128
<b>Deferred income taxes</b> .....	<b>78,135</b>	74,946
<b>Common shareholders' equity:</b>		
Common stock (shares outstanding, 565,112 in 1988 and 282,182 in 1987)	56,511	28,218
Capital in excess of par value.....	170,440	191,857
Retained earnings.....	2,030,316	1,470,418
<b>TOTAL COMMON SHAREHOLDERS' EQUITY</b> .....	<b>2,257,267</b>	1,690,493
<b>Total liabilities and shareholders' equity</b> .....	<b>\$5,131,809</b>	\$4,049,092

See accompanying notes.

# Consolidated Statements Of Common Shareholders' Equity

Wal-Mart Stores, Inc. and Subsidiaries

<i>(Amounts in thousands)</i>	Number of shares	Common stock	Capital in excess of par value	Retained earnings	Total
Balance - January 31, 1985 .....	140,223	\$14,022	\$189,907	\$ 780,743	\$ 984,672
Net income .....				327,473	327,473
Cash dividends:					
Common stock (\$.07* per share) .....				(39,302)	(39,302)
Preferred stock (\$2.00 per share) .....				(396)	(396)
Accretion of preferred stock					
redemption premium .....				(70)	(70)
Exercise of stock options .....	65	7	334		341
Conversion of preferred stock.....	86	9	977		986
100% common stock dividend .....	140,374	14,038	(14,038)		
Exercise of stock options .....	288	28	954		982
Tax benefit from stock options .....			3,352		3,352
Conversion of preferred stock.....	9	1	54		55
Other.....			(434)		(434)
Balance - January 31, 1986 .....	281,045	28,105	181,106	1,068,448	1,277,659
Net income .....				450,086	450,086
Cash dividends:					
Common stock (\$.085* per share) .....				(47,850)	(47,850)
Preferred stock (\$1.50 per share) .....				(266)	(266)
Exercise of stock options .....	346	34	812		846
Tax benefit from stock options .....			5,122		5,122
Conversion of preferred stock.....	791	79	4,817		4,896
Balance - January 31, 1987 .....	282,182	28,218	191,857	1,470,418	1,690,493
Net income .....				627,643	627,643
Cash dividends:					
Common stock (\$.12* per share) .....				(67,745)	(67,745)
Exercise of stock options .....	37	4	452		456
100% common stock dividend .....	282,219	28,222	(28,222)		
Exercise of stock options .....	821	82	1,739		1,821
Tax benefit from stock options .....			9,213		9,213
Other.....	(147)	(15)	(4,599)		(4,614)
Balance - January 31, 1988 .....	565,112	\$56,511	\$170,440	\$2,030,316	\$2,257,267

\*Cash dividends on common stock prior to July 10, 1987, have been adjusted to reflect the 100% common stock dividend paid on that date.

See accompanying notes.

# **Consolidated Statements Of Changes In Financial Position**

Wal-Mart Stores, Inc. and Subsidiaries  
(Amounts in thousands)

	Fiscal years ended January 31,		
	1988	1987	1986
<b>Source of funds:</b>			
Current operations:			
Net income.....	<b>\$627,643</b>	\$450,086	\$327,473
Items not affecting working capital in current period:			
Depreciation and amortization .....	<b>165,962</b>	123,639	89,749
Deferred income taxes.....	<b>3,189</b>	22,432	17,922
Total from current operations .....	<b>796,794</b>	596,157	435,144
Net proceeds from exercise of options, and conversion of preferred stock.....	<b>6,876</b>	10,864	5,282
Additions to long-term debt.....	<b>11,645</b>	—	141,120
Additions to long-term obligations under capital leases .....	<b>131,192</b>	184,262	156,453
Reduction of other assets.....	<b>1,522</b>	1,300	18,609
Disposal of assets .....	<b>37,341</b>	90,920	9,913
	<b>985,370</b>	883,503	766,521
<b>Application of funds:</b>			
Acquisition of Super Saver Warehouse Club, Inc.			
Property, plant and equipment .....	<b>10,422</b>	—	—
Other assets.....	<b>231</b>	—	—
Goodwill.....	<b>50,034</b>	—	—
Long-term debt .....	<b>(20,570)</b>	—	—
	<b>40,117</b>	—	—
Additions to property, plant and equipment .....	<b>527,960</b>	403,660	350,667
Additions to property under capital leases .....	<b>130,491</b>	182,955	181,487
Reduction in long-term debt, including changes in current maturities .....	<b>25,777</b>	1,448	1,675
Reduction in long-term lease obligations, including changes in current obligations.....	<b>28,348</b>	15,339	11,134
Preferred stock conversions .....	<b>—</b>	4,902	971
Dividends paid .....	<b>67,745</b>	48,116	39,768
Additions to other assets and deferred charges .....	<b>16,530</b>	5,695	3,513
	<b>836,968</b>	662,115	589,215
Increase in working capital .....	<b>\$148,402</b>	\$221,388	\$177,306
<b>Changes in components of working capital:</b>			
Increase (decrease) in current assets:			
Cash.....	<b>\$ 2,798</b>	(\$ 723)	\$ 7,398
Short-term money market investments.....	<b>( 157,018)</b>	( 8,150)	165,168
Receivables .....	<b>5,548</b>	32,718	12,084
Recoverable costs from sale/leaseback.....	<b>79,757</b>	( 105,250)	10,021
Inventories .....	<b>620,788</b>	642,804	284,243
Prepaid expenses .....	<b>1</b>	7,597	2,107
	<b>551,874</b>	568,996	481,021
Increase (decrease) in current liabilities:			
Notes payable .....	<b>104,382</b>	—	—
Accounts payable and accrued liabilities .....	<b>306,155</b>	301,910	286,840
Accrued federal and state income taxes .....	<b>( 12,060)</b>	43,434	16,040
Long-term debt due within one year .....	<b>598</b>	( 157)	( 1,377)
Obligations under capital leases due within one year .....	<b>4,397</b>	2,421	2,212
	<b>403,472</b>	347,608	303,715
Increase in working capital .....	<b>\$148,402</b>	\$221,388	\$177,306

See accompanying notes.

# Notes to Consolidated Financial Statements

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Wal-Mart Stores, Inc. and Subsidiaries

## Note 1 Summary of significant accounting policies

**Segment information** – The Company and its subsidiaries are principally engaged in the operation of discount stores in a 24-state region. No single customer accounts for a significant portion of its consolidated sales.

**Consolidation** – The consolidated financial statements include the accounts of all subsidiaries.

**Inventories** – Inventories are stated principally at cost (last-in, first-out), which is not in excess of market, using the retail method for inventories in stores.

**Pre-opening costs** – Costs associated with the opening of new stores are expensed during the first full month of operations. The costs are carried as prepaid expenses prior to the store opening.

**Recoverable costs from sale/leaseback** – All costs of acquisition and construction of properties for which the Company has a commitment for sale/leaseback are accumulated in current assets until properties are sold.

**Interest during construction** – In order that interest costs properly reflect only that relating to current operations, interest on borrowed funds during the construction of property, plant and equipment is capitalized. Interest costs capitalized (excluding amounts related to properties developed under sale/leaseback arrangements) are \$4,911,000, \$3,464,000 and \$4,351,000 in 1988, 1987 and 1986 respectively.

**Depreciation** – Depreciation for financial statement purposes is provided on the straight-line method over the estimated useful lives of the various assets. For income tax purposes, the accelerated cost recovery system is used for assets placed in service after 1980 and accelerated depreciation is used for assets placed in service in 1980 and prior years with recognition of deferred income taxes for the resulting timing differences.

**Operating, selling and general and administrative expenses** – Buying, warehousing and occupancy costs are included in operating, selling and general and administrative expenses.

**Income taxes** – Investment tax credits are accounted for under the flow-through method, reducing income tax expense for periods in which the credits are earned.

Deferred income taxes are provided on timing differences between financial statement and taxable income.

**Net income per share** – Net income per share is based on weighted average outstanding common shares and common share equivalents and stock options reduced by shares assumed to have been purchased from such options under the treasury stock method.

**Stock options** – Proceeds from the sale of common stock issued under the stock option plans and related tax benefits which accrue to the Company are accounted for as capital transactions, and no charges or credits are made to income in connection with the plans.

## Note 2 Inventories

Inventories at January 31, 1988, and January 31, 1987 were \$2,651,760,000 and \$2,030,972,000 respectively. Replacement cost would be \$202,796,000 greater in 1988 and \$153,875,000 greater in 1987.

## Note 3 Notes payable and long-term debt

Information on short-term borrowings and interest rates follows:

	Fiscal years ended January 31,		
	1988	1987	1986
Maximum amount outstanding			
at month-end .....	\$699,000,000	\$310,585,000	\$161,300,000
Average daily short-term borrowings .....	\$190,120,000	\$ 62,737,000	\$ 35,947,000
Weighted average interest rate .....	7.0%	5.9%	8.0%

At January 31, 1988, the Company had committed lines of credit with ten banks to support short-term borrowings and commercial paper in an aggregate of \$350,000,000, plus 120 day seasonal facilities totalling \$200,000,000. In addition, the Company had uncommitted facilities to support master participating agreements totalling \$200,000,000. Short-term borrowings under these lines of credit bear interest at or below the prime rate.

Long-term debt at January 31 consists of:

	1988	1987
10% Debentures due August 2000 .....	\$100,000,000	\$100,000,000
9 % Participating Mortgage Certificates due 2005 .....	15,490,000	15,500,000
9 1/2 % Participating Mortgage Certificates II due 2005 .....	25,000,000	25,000,000
8% 25-year secured notes, payable \$244,595 quarterly (including interest) to October 2003 .....	8,122,000	8,385,000
10 1/4-10 1/8 % Mortgage notes payable monthly through 1994 .....	9,807,000	—
9 3/4 % Mortgage notes, due 1988 through 2000 .....	5,635,000	6,060,000
8 1/2 % Secured notes, payable \$121,030 quarterly (including interest) ...	3,978,000	4,116,000
9 1/4 % Mortgage notes, payable \$68,822 quarterly (including interest) to June 1992 .....	814,000	1,004,000
Tax-exempt mortgage obligations, at an average rate of 10.3 % due 1989 through 2014 .....	16,275,000	15,780,000
Other .....	551,000	3,389,000
	<u>\$185,672,000*</u>	<u>\$179,234,000</u>

\*Mortgage notes payable of \$84,862,000 are collateralized by property with an aggregate carrying value of approximately \$98,667,000.

Annual maturities on long-term debt during the next five years are:

Fiscal years ending January 31,	Annual maturity
1989	\$2,046,000
1990	1,429,000
1991	1,523,000
1992	1,645,000
1993	4,683,000

Under the terms of the 10% Debentures, the Company has agreed to observe certain covenants. Among these are provisions relating to secured debt and long-term leases.

The agreements relating to the Participating Mortgage Certificates contain provisions for contingent additional interest to be payable on a basis of the sales performance of the Wal-Mart stores collateralized by the issues.

The agreements relating to the 9 1/4% mortgage notes, which are guaranteed by Wal-Mart Stores, Inc., and the 8 1/2% and 8 1/2% secured notes of a subsidiary contain certain restrictions on the subsidiary concerning additional debt, business activities and combinations, issuance of capital stock and investments.

#### **Note 4 Defined contribution plan**

The Company maintains a profit sharing plan under which most full and part-time associates become participants following one year of employment with the Company. Annual contributions, based on the profitability of the Company, are made at the sole discretion of the Company. For the three fiscal years ended January 31, 1988, contributions of \$59,500,000, \$51,772,000 and \$30,488,000, respectively, have been made.

#### **Note 5 Income taxes**

Reconciliations of the statutory federal income tax rate to the effective tax rate, as a percent of pre-tax financial income, are as follows:

	1988	1987	1986
Statutory tax rate	38.9%	46.0%	46.0%
Investment tax credits	—	( .8)	( 2.1)
State income taxes	2.5	2.2	2.1
Other	( .1)	( .6)	( .3)
Effective tax rate	41.3%	46.8%	45.7%

Investment tax credits resulted in reductions of the current federal income tax provisions for 1987 and 1986 of \$6,447,000 and \$12,940,000 respectively.

Deferred tax expense results from timing differences in the recognition of revenue and expense for tax and financial reporting purposes with respect to the following:

	1988	1987	1986
Depreciation	\$24,288,000	\$36,343,000	\$24,029,000
Capital leases	( 7,589,000)	( 8,793,000)	( 5,959,000)
Other	( 7,805,000)	( 5,118,000)	( 148,000)
	\$ 8,894,000	\$22,432,000	\$17,922,000

## Note 6 Preferred and common stock

A. The Company has 100 million shares of \$.10 preferred stock authorized but unissued. At the present time, there are no plans for its issuance.

B. There are 1.3 billion shares of \$.10 par value common stock authorized, with 565,111,944 shares of common stock issued and outstanding at January 31, 1988, and 564,365,892 shares (adjusted to reflect the 100% stock dividend paid on July 10, 1987) issued and outstanding at January 31, 1987. The common stock is listed on the New York Stock Exchange and the Pacific Stock Exchange, and at January 31, 1988, there were 79,777 shareholders of record.

At January 31, 1988, 5,966,382 shares of common stock were reserved for issuance under stock option plans. The options granted under the stock option plans expire 10 years from date of grant and may be exercised in nine annual installments. Further information concerning the options is as follows:

	Shares	Option price (market price at date of grant)	Per share	Total
Shares under option				
January 31, 1987	3,960,904	\$.46-23.88	\$27,928,672	
Options granted	439,900	25.31-36.88	11,912,800	
Options canceled	( 220,106)	.94-46.50	( 2,401,983)	
Options exercised	( 895,178)	.46-23.25	( 2,277,120)	
January 31, 1988 (660,597 shares exercisable)	3,285,520	\$.90-33.81	\$35,162,369	
Shares available for option				
January 31, 1987	3,037,652			
January 31, 1988	2,680,862			

## Note 7 Licensed department sales

The sales of licensed departments as reported by licensees are \$105,630,000, \$116,947,000 and \$129,421,000 for 1988, 1987, and 1986 respectively.

## Note 8 Long-term lease obligations

The Company and certain of its subsidiaries have long-term leases for stores and equipment. Rentals (including for certain leases amounts applicable to taxes, insurance, maintenance, other operating expenses and contingent rentals) under all operating leases were \$159,711,000 in 1988, \$121,229,000 in 1987, and \$95,088,000 in 1986.

Aggregate minimum annual rentals at January 31, 1988, under noncancelable leases are as follows:

Fiscal years	Operating leases	Capital leases
1989	\$ 129,644,000	\$ 113,252,000
1990	129,102,000	113,830,000
1991	127,741,000	113,809,000
1992	124,056,000	112,140,000
1993	122,055,000	113,198,000
Thereafter	1,567,716,000	1,690,067,000
<b>Total minimum rentals</b>	<b>\$ 2,200,314,000</b>	<b>2,256,296,000</b>
Less estimated executory costs		27,679,000
Net minimum lease payments		2,228,617,000
Less imputed interest at rates ranging from 8.5% to 14.0%		1,345,147,000
Present value of net minimum lease payments		\$ 883,470,000

Certain of the leases provide for contingent additional rentals based on percentage of sales. Such additional rentals amounted to \$16,754,000 in 1988, \$14,427,000 in 1987, and \$11,793,000 in 1986.

Substantially all of the store leases have renewal options for additional terms from five to 25 years at the same or lower minimum rentals.

The Company has entered into lease commitments for land and buildings for 54 future locations. The lease commitments with real estate developers or through sale/leaseback arrangements provide for minimum rentals for 20 to 25 years, excluding renewal options, which if consummated based on current cost estimates would approximate \$12,000,000 annually over the lease terms.

#### **Note 9 Acquisition**

On June 29, 1987, the Company acquired Super Saver Warehouse Club, Inc. The acquisition consisted of 20 wholesale clubs, three of which were subsequently closed. The acquisition has been accounted for as a purchase, and accordingly the results of operations since the acquisition date have been consolidated with the Company. The excess of cost over the fair value of net assets acquired was \$50,034,000, and is being amortized on a straight-line basis over ten years.

#### **Note 10 Quarterly financial data (unaudited)**

Summarized consolidated quarterly financial data for 1988 and 1987 are as follows:

	Quarters ended			
1988	April 30,	July 31,	October 31,	January 31,
Net sales	\$3,211,761,000	\$3,732,237,000	\$4,015,017,000	\$5,000,240,000
Cost of sales	2,448,056,000	2,873,954,000	3,090,696,000	3,869,038,000
Net income	110,390,000	134,071,000	136,051,000	247,131,000
Net income per share	\$ .19	\$ .24	\$ .24	\$ .44
1987				
Net sales	\$2,344,253,000	\$2,770,276,000	\$2,949,008,000	\$3,845,539,000
Cost of sales	1,772,892,000	2,120,904,000	2,227,946,000	2,931,477,000
Net income	73,391,000	95,864,000	96,531,000	184,300,000
Net income per share	\$ .13	\$ .17	\$ .17	\$ .32

## ***Accountants' Report***

#### **The Board of Directors and Shareholders Wal-Mart Stores, Inc.**

We have examined the accompanying consolidated balance sheets of Wal-Mart Stores, Inc., and subsidiaries at January 31, 1988 and 1987, and the related consolidated statements of income, common shareholders' equity and changes in financial position for each of the three years in the period ended January 31, 1988. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements mentioned above present fairly the consolidated financial position of Wal-Mart Stores, Inc., and subsidiaries at January 31, 1988 and 1987, and the consolidated results of operations and changes in financial position for each of the three years in the period ended January 31, 1988, in conformity with generally accepted accounting principles applied on a consistent basis during the period.

***Arthur Young & Company***

Tulsa, Oklahoma  
March 25, 1988

# **Responsibility For Financial Statements**

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The financial statements and information of Wal-Mart Stores, Inc. presented in this Report have been prepared by management which has responsibility for their integrity and objectivity. These financial statements have been prepared in conformity with generally accepted accounting principles, applying certain estimates and judgments based upon currently available information and management's view of current conditions and circumstances. The services of certain specialists, both from within the Company and from outside the Company, have been utilized in making such estimates and judgments.

Management has developed and maintains a system of accounting and controls, including an extensive internal audit program, designed to provide reasonable assurance that the Company's assets are protected from improper use and that accounting records provide a reliable basis for the preparation of financial statements. This system is continually reviewed, improved and modified in response to changing business conditions and operations and to recommendations made by the independent public accountants and the internal auditors. Management believes that the accounting and control systems provide reasonable assurance that assets are safeguarded

and financial information is reliable.

The Company has adopted a Statement of Responsibility which is intended to guide our management in the continued observance of high ethical standards of honesty, integrity and fairness in the conduct of the business and in accordance with the law. Compliance with the guidelines and standards is continuously reviewed and is acknowledged in writing by all management associates.

The Board of Directors, through the activities of its Audit Committee, consisting solely of outside Directors, participates in the process of reporting financial information. The duties of the Committee include keeping informed of the financial condition of the Company and reviewing its financial policies and procedures, its internal accounting controls and the objectivity of its financial reporting. Both the Company's independent public accountants and the internal auditors have free access to the Audit Committee and the Board of Directors and meet with the Committee periodically, with and without management present.

**Paul R. Carter**  
**Executive Vice President and  
Chief Financial Officer**

## **Board of Directors**

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### **David R. Banks**

President, Beverly Enterprises

### **Paul R. Carter**

Executive Vice President and Chief Financial Officer  
Wal-Mart Stores, Inc.

### **Hillary Rodham Clinton**

Partner, Rose Law Firm

### **John A. Cooper, Jr.**

President, Cooper Communities, Inc.

### **David D. Glass**

President and Chief Executive Officer  
Wal-Mart Stores, Inc.

### **A. L. Johnson**

Vice Chairman-Sam's Wholesale Clubs,  
Hypermart ★ USA and Special Divisions  
Wal-Mart Stores, Inc.

### **James H. Jones**

Chairman of the Board and Chief Executive Officer  
Jameson Pharmaceutical

### **Robert Kahn**

President, Kahn & Harris, Inc.

### **Charles Lazarus**

Chairman, Toys "R" Us, Inc.

### **William H. Seay**

Chairman, Retired,  
Southwest Life Insurance Company

### **Jack Shewmaker**

Retired, Wal-Mart Stores, Inc.

### **Donald G. Soderquist**

Vice Chairman and Chief Operating Officer  
Wal-Mart Stores, Inc.

### **John E. Tate**

Executive Vice President of Professional Services  
Wal-Mart Stores, Inc.

### **James L. Walton**

Senior Vice President  
Wal-Mart Stores, Inc.

### **Sam M. Walton**

Chairman  
Wal-Mart Stores, Inc.

### **S. Robson Walton**

Vice Chairman  
Wal-Mart Stores, Inc.

### **COMMITTEES OF THE BOARD**

#### **Executive Committee**

Paul R. Carter  
David D. Glass  
A. L. Johnson  
Donald G. Soderquist  
John E. Tate  
James L. Walton  
Sam M. Walton  
S. Robson Walton

#### **Audit Committee**

James H. Jones  
Robert Kahn  
William H. Seay

#### **Stock Option Committee**

David D. Glass  
Donald G. Soderquist  
S. Robson Walton

#### **Special Stock Option Committee**

John A. Cooper, Jr.  
James H. Jones  
William H. Seay

# Officers

## Chairman

**Sam M. Walton**

## President and

**Chief Executive Officer**

**David D. Glass**

## Vice Chairmen

**A. L. Johnson**

Sam's Wholesale Clubs,  
Hypermart ★ USA and Special Divisions

**Donald G. Soderquist**

Chief Operating Officer

**S. Robson Walton**

## Executive Vice Presidents

**Paul R. Carter**

Chief Financial Officer

**Bill Fields**

Merchandise and Sales

**A. L. Miles**

Special Services

**John E. Tate**

Professional Services

**Nick White**

Sam's Wholesale Club

## Senior Vice Presidents

**Thomas M. Coughlin**

Operations-Sam's Wholesale Club

**David Dible**

General Merchandise Manager

**H. "Mac" Gammon**

Operations

**Joseph S. Hardin, Jr.**

Distribution and Transportation

**Joseph P. Hatfield**

General Merchandise Manager

**Harold E. Johnson**

Operations

**Bobby L. Martin**

Information Systems

**Dean L. Sanders**

Operations

## **Thomas P. Seay**

Real Estate and Construction

**Robert K. Voss**

General Merchandise Manager  
Sam's Wholesale Club

**James L. Walton**

**Colon Washburn**

General Merchandise Manager

**Wesley C. Wright**

Special Divisions

## Vice Presidents

**B. D. Adams**

Operations

**Clarence H. Archer**

Pharmacy

**Harryetta Bailey**

Divisional Merchandise Manager

**Stephen M. Bailey**

Merchandise Systems

**Curtis Barlow**

Real Estate

**Robert T. Bruce**

Inventory Management

**Dwight A. Carney**

Advertising and Sales Promotion

**James K. Comeaux**

Divisional Merchandise Manager

**Richard Donckers**

Food Retailing-Hypermart ★ USA

**Arthur Emmanuel**

Operations

**Steve Furner**

Operations

**Roger Lee Gildehaus**

Divisional Merchandise Manager

**David H. Gorman**

Loss Prevention

**Harry S. Green**

Operations

**Michael J. Guccione**

Jewelry

**Steve Harig**

Divisional Merchandise Manager

**Robert L. Hart**

Operations

## **Lewis Ray Hobbs**

Divisional Merchandise Manager

**William L. Hutcheson**

Shoe Division

**Pete Jasan**

Divisional Merchandise Manager

**Lolan C. Mackey**

Operations

**Peter C. Metzger**

Imports

**Harry Miller**

Operations

**Robert J. Murphey**

Construction

**Duane G. Naccarato**

Merchandise

**Charles Rateliff**

Treasurer

**Melvin C. Redman**

Store Planning

**Robert K. Rhoads**

General Counsel and Secretary

**Charles Russell**

Operations

**Leroy W. Schuettts**

Operations

**H. Lee Scott, Jr.**

Distribution

**Lew Skelton**

Operations

**Mike Spear**

Divisional Merchandise Manager

**Steve Tiernan**

General Merchandise Manager

Hypermart ★ USA

**John Tillman**

Operations

**Donald E. Tripp**

General Manager-Hypermart ★ USA

**P. Terry Tucker**

Divisional Merchandise Manager

**James A. Walker, Jr.**

Controller

**Jim Woodruff**

Divisional Merchandise Manager

## CORPORATE INFORMATION

### REGISTRAR AND TRANSFER AGENT

Common Stock:

Centerre Trust Company of St. Louis  
510 Locust Street  
Post Office Box 14768  
St. Louis, Missouri 63178

### TRUSTEE

Debentures:

Bankers Trust Company  
4 Albany Street  
Ninth Floor  
New York, New York 10015

### CERTIFIED PUBLIC ACCOUNTANTS

Arthur Young & Company  
4300 One Williams Center  
Tulsa, Oklahoma 74172

### LISTINGS

New York Stock Exchange  
Common Stock Symbol: WMT

Pacific Stock Exchange  
Common Stock Symbol: WMT

### ANNUAL MEETING

Our Annual Meeting of Shareholders will be held on Friday, June 3, 1988, at 10:00 a.m. in Barnhill Arena on the University of Arkansas campus, Fayetteville, Arkansas. You are cordially invited to attend. A proxy statement, including a request for proxies will be mailed to shareholders in early May, 1988.

### INVESTORS' INQUIRIES FORM 10-K REPORT

A copy of the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1988, as filed with the Securities and Exchange Commission, may be obtained without charge by writing to:

Bette Hendrix  
Assistant Secretary  
Wal-Mart Stores, Inc.  
Bentonville, AR 72716

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**CORPORATE OFFICES**

Wal-Mart Stores, Inc.  
Bentonville, Arkansas 72716  
Telephone: (501) 273-4000